

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Grant	County Newaygo
Fiscal Year End 6-30-06	Opinion Date July 27, 2006	Date Audit Report Submitted to State 9-5-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe):	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate PC		Telephone Number 231-924-6890	
Street Address 711 W Main		City Fremont	State MI
Authorizing CPA Signature <i>Jodi DeKulper, CPA</i>		Printed Name Jodi DeKulper, CPA	Zip 49412
		License Number 1101021180	

**CITY OF GRANT
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2006

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CITY OF GRANT

City Commission and City Management

List of Principal Individuals

City Commission

Position

Terry Fett

Mayor

Harry Robinson

Mayor Pro-term

Anne Pickard

Commission Member

Julie Hallman

Commission Member

Dan Powell

Commission Member

Terri Yeomans

Commission Member

Mike Gesler

Commission Member

City Officials

Frank Peterson

Manager

Sherry Powell

Clerk

Lori Gardner

Treasurer



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



City Commission
City of Grant
Newaygo County
Grant, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Grant as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 31 through 36, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grant, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
July 27, 2006

City of Grant
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2006

Using this Annual Report

This overview and analysis of the financial activities of the City of Grant for the fiscal year ending June 30, 2006 is hereby presented to the readers of these financial statements. Readers are encouraged to consider the information furnished in this discussion and analysis along with the information presented in the financial statements.

This annual report consists of a series of financial statements, whose purposes are described as follows:

The information contained in the *Government Wide Statement of Net Assets* and the *Government Wide Statement of Activities* relate to the activities of the City as a whole and present a long-term view of the City's financial status. The Fund financial statements explain how these services were financed in the short-term, and provide data on funding that remains for future spending. The Fund financial statements also report the City's operations; this report is in more detail than the government-wide financial statements.

Condensed Financial Information

The following table provides key financial information in a condensed format for the current year and one previous year for a comparative analysis of government-wide data. Please note that much of the City's net assets are invested in *capital* assets, such as streets, buildings, land, vehicles, and miscellaneous equipment. These assets are used to provide services to the residents and are not available to pay salaries, operational expenses, or fund capital projects.

<u>Total Primary Government Activities</u>						
	2005			2006		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<u>Assets:</u>						
Current Assets	\$ 337,332	301,754	639,086	\$ 107,123	291,692	398,815
Restricted Assets	\$ 0	294,258	294,258	\$ 0	122,115	122,115
Capital and Other Noncurrent Assets	\$ <u>677,141</u>	<u>4,380,956</u>	<u>5,058,097</u>	\$ <u>945,880</u>	<u>4,701,112</u>	<u>5,646,992</u>
Total Assets	\$ 1,014,473	4,976,968	5,991,441	\$ 1,053,003	5,114,919	6,167,922
<u>Liabilities:</u>						
Current Liabilities	\$ 25,601	12,232	37,833	\$ 20,665	26,268	46,933
Noncurrent Liabilities	\$ <u>112,414</u>	<u>913,000</u>	<u>1,025,414</u>	\$ <u>94,010</u>	<u>893,000</u>	<u>987,010</u>
Total Liabilities	\$ <u>138,015</u>	<u>925,232</u>	<u>1,063,247</u>	\$ <u>114,675</u>	<u>919,268</u>	<u>1,033,943</u>
<u>Net Assets:</u>						
Invested in Capital Assets, Net of Debt	\$ 564,727	3,467,956	4,032,683	\$ 961,871	3,698,112	4,659,983
Restricted	\$ 0	294,258	294,258	\$ 0	122,115	122,115
Unrestricted	\$ <u>311,731</u>	<u>289,522</u>	<u>601,253</u>	\$ <u>-23,543</u>	<u>375,424</u>	<u>351,881</u>
Total Net Assets	\$ 876,458	4,051,736	4,928,194	\$ 938,328	4,195,651	5,133,979

<u>Total Primary Government Activities</u>						
	2005			2006		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type		Activities	Type	
		Activities			Activities	
<u>Revenues:</u>						
Program						
Charges for Services	\$ 41,587	294,995	336,582	\$ 16,050	321,685	337,735
Operating Grants	\$ 161,842	0	161,842	\$ 165,585	168,750	334,335
Capital Grants	\$ 0	0	0	\$ 0	0	0
General						
Property taxes	\$ 216,735	29,080	245,815	\$ 247,437	32,631	280,068
Investment Earnings	\$ 2,613	2,959	5,572	\$ 4,192	13,977	18,169
Miscellaneous	\$ <u>82,468</u>	<u>6,625</u>	<u>89,093</u>	\$ <u>67,179</u>	<u>5,743</u>	<u>72,922</u>
Total Revenues	\$ 505,245	333,659	838,904	\$ 500,443	542,786	1,043,229
<u>Expenses:</u>						
General Government	\$ 155,313	0	155,313	\$ 133,628	0	133,628
Public Safety	\$ 90,995	0	90,995	\$ 108,768	0	108,768
Public Works	\$ 122,966	0	122,966	\$ 128,515	0	128,515
Recreation and Culture	\$ 5,429	0	5,429	\$ 3,925	0	3,925
Other Functions	\$ 0	0	0	\$ 20,527	0	20,527
Unallocated Depreciation	\$ 35,413	0	35,413	\$ 37,648	0	37,648
Interest on Long-Term Debt	\$ 6,406	0	6,406	\$ 5,562	0	5,562
Water Fund	\$ 0	187,934	187,934	\$ 0	210,312	210,312
Sewer Fund	\$ <u>0</u>	<u>184,967</u>	<u>184,967</u>	\$ <u>0</u>	<u>188,559</u>	<u>188,559</u>
Total Expenses	\$ <u>416,522</u>	<u>372,901</u>	<u>789,423</u>	\$ <u>438,573</u>	<u>398,871</u>	<u>837,444</u>
Change in Net Assets	\$ 88,723	-39,242	49,481	\$ 61,870	143,915	205,785

The City as a Whole:

λ The total revenues increased from the previous fiscal year, as did the total expenses. Revenues and expenses increased by 24% and 6%, respectively, resulting in net asset growth of \$205,786; this is \$156,305 greater than the growth realized in 2005. This is a direct result of investments in a number of local streets, and the addition of nearly 2,600 linear feet of sanitary sewer and water lines.

λ The City's primary source of revenue derives from property taxes. This represents nearly 49% of total Governmental Activities revenue for FY 2005- 2006. State grants and revenue sharing accounted for 33% of the year's Governmental Activities revenue.

λ The City's total governmental and business-like revenues equaled \$1,043,230; an increase of \$204,326 from the previous fiscal year.

λ Both the Water and Sewer Funds' revenues exceeded expenditures. The City passed resolutions to increase water and sewer rates in June of 2006. This is the final step toward fully funding depreciation expenses, and will help ensure the two Funds remain profitable for the City to operate and maintain.

λ Net assets may be used as an indicator of a government's financial health. As of June 30, 2006, the City's total government-wide net asset equaled \$5,133,979. Net assets from government activities totaled \$938,328 (17%); net assets from business-type activities totaled \$4,195,651 (83%). This represents an increase in government-wide net assets of \$205,785 (4%) over the previous year.

Governmental Activities

λ Capital Outlay represents a significant expense of the City. FY 2005-2006 expenditures included \$292,447 in Capital Outlay expenses; representing 48.5% of the General Fund's expenditures.

λ Salaries and payroll taxes are significant expense of the City, representing 30% of total General Fund expenditures.

λ Depreciation expense for the year ending June 30, 2006, represented nearly 28% of the City's total expenses in the water and sewer proprietary funds.

λ General Fund expenditures were 158% of revenues, with expenditures exceeding revenues by \$219,268.

λ The fund balance for the General Fund saw a decrease of \$207,024. This reflects construction of the new City Offices and Police Station (\$246,874) and the purchase of a DPW dump truck (\$20,000).

λ The Major Streets Fund began the year with a fund balance of \$22,144 and ended with a balance of \$10,712. This was due to major road work completed on a number of major City streets, including Front Street and Commerce Street.

λ The Local Streets Fund began the year with a fund balance of \$37,907 and ended with a negative balance of -\$31,232. This was due to major road work completed on a number of local City streets, including Lake Street and Lee Street. The negative balance will be replenished to good standing in FY 06-07 from the Roads and Right-of-Ways Fund's summer tax levy.

The City's Funds

An analysis of the City's major and non-major funds follows the entity-wide financial statements. The fund financial statements do not provide financial information for the City as a whole; rather they provide detailed information about the City's most significant funds. The City Commission creates funds to help manage money for specific purposes, to demonstrate compliance with finance-related legal requirements, and to show accountability for certain activities. The City's major funds for 2006 include the four Governmental Funds – the General Fund, Major and Local Street Funds, and the Roads & Right-of-Ways Fund – and the two Proprietary Funds – the Water and Sewer Funds. The City's non-major Governmental Funds for 2006 include the Sidewalk, Fire, and Transportation Bond Funds.

Governmental Funds

The focus of the information provided regarding the City's Governmental Funds is to provide data on near-term inflows, outflows, and balances in spendable resources. This information is useful in assessing the City's financing requirements. In particular, unrestricted fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Governmental Funds reported a combined fund balance of \$(9,293). This fund balance is comprised of \$18,057 from the General Fund, \$10,712 in the Major Streets Fund, (-\$31,232) in the Local Streets Fund, (-\$7,402) in the Roads & Right-of-Ways Fund, and \$572 in other Non-Major Governmental Funds.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unrestricted fund balance represents 3% of the General Fund expenditures. This is down significantly from the prior year because of the extensive capital outlay in the 2005-2006 fiscal year.

Proprietary Funds

The City Proprietary Funds provide the same type of information found in the government-wide financial statements, but with more detail. The unrestricted net assets of the Water and Sewer Funds had an overall net increase of \$143,915, with \$53,827 as a gain in the Water Fund, and \$90,088 as a gain in the Sewer Fund. A careful examination of operating revenues and expenditures for both the Water and Sewer funds reveals an actual operational gain in each fund totaling \$156,521 (Water: \$80,680 and Sewer: \$75,977).

City Budgetary Highlights

Over the course of the year, the City Commission amended the budget to take into account events that occurred during the year. The most significant amendments occurred in the General Fund, which reflected an increase of \$121,031 in the capital outlay expenses account due to the purchase of a dump truck for the DPW, and the construction of the new Municipal Offices and Police Department. Additional amendments were made to account for investments in city street construction and reconstruction, and additional water and sewer lines.

Capital Assets and Debt Administration

At the end of the fiscal year, the City had \$5,644,291 invested in net capital assets for its Governmental and Business-type activities. The governmental activities assets are comprised of land, buildings, improvements, machinery and equipment, vehicles, and infrastructure. The business-type activities assets are comprised of land, buildings, machinery and equipment, and maining and pumping equipment used by the Water and Sewer Funds.

Long Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$987,010, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$94,010 in governmental activities and \$375,000 in business-type activities are backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water revenue bonds, \$518,000).

Next Year's Millage Rates

The City 2006-2007 budget includes a charter operating levy of 10.3714 mills per thousand dollars of taxable value for the purpose of providing funds for the operation of the City. This is smaller than the millage levied in 2005 due to the Headlee millage reduction fraction, which was .9853 as a direct result of new construction and growth evident throughout the city. Although the mills have decreased, the general fund will see an increase in property tax revenue equal to 3.4%.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Manager at (231) 834-7904.

CITY OF GRANT

Government Wide Statement of Net Assets June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash	\$ 87,075	\$ 211,032	\$ 298,107
Accounts Receivable	18,517	80,660	99,177
Accounts Receivable-Fiduciary Funds	1,531	-	1,531
Restricted Cash	-	122,115	122,115
Internal Balances	(110,000)	110,000	-
Bond Issuance Cost - Net of Amtz.	2,701	-	2,701
Net Capital Assets	<u>1,053,179</u>	<u>4,591,112</u>	<u>5,644,291</u>
 Total Assets	 <u>1,053,003</u>	 <u>5,114,919</u>	 <u>6,167,922</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	-	13,266	13,266
Accrued Wages and Payroll Taxes	6,416	13,002	19,418
Accrued Absenses	14,249	-	14,249
Noncurrent Liabilities			
Due Within One Year	19,261	22,000	41,261
Due in More Than One Year	<u>74,749</u>	<u>871,000</u>	<u>945,749</u>
 Total Liabilities	 <u>114,675</u>	 <u>919,268</u>	 <u>1,033,943</u>
NET ASSETS			
Invested in Capital Assets			
Net of Related Debt	961,871	3,698,112	4,659,983
Restricted Assets	-	122,115	122,115
Unrestricted Assets	<u>(23,543)</u>	<u>375,424</u>	<u>351,881</u>
 Total Net Assets	 <u><u>\$ 938,328</u></u>	 <u><u>\$ 4,195,651</u></u>	 <u><u>\$ 5,133,979</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Government Wide Statement of Activities For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General Government	\$ 133,628	\$ 16,050	\$ 103,013	\$ -	\$ (14,565)	\$ -	\$ (14,565)
Public Safety	108,768	-	-	-	(108,768)	-	(108,768)
Public Works	128,515	-	62,572	-	(65,943)	-	(65,943)
Recreation and Culture	3,925	-	-	-	(3,925)	-	(3,925)
Other Functions	20,527	-	-	-	(20,527)	-	(20,527)
Unallocated Depreciation	37,648	-	-	-	(37,648)	-	(37,648)
Interest on Long-Term Debt	5,562	-	-	-	(5,562)	-	(5,562)
Total Governmental Activities	438,573	16,050	165,585	-	(256,938)	-	(256,938)
Business Type Activities							
Water	210,312	169,410	82,539	-	-	41,637	41,637
Sewer	188,559	152,275	86,211	-	-	49,927	49,927
Total Business-Type Activities	398,871	321,685	168,750	-	-	91,564	91,564
Total	837,444	337,735	334,335	-	(256,938)	91,564	(165,374)
General Revenues							
Property Taxes					247,437	32,631	280,068
Interest					4,192	13,977	18,169
Miscellaneous					67,179	5,743	72,922
Total General Revenues and Transfers					318,808	52,351	371,159
Change in Net Assets					61,870	143,915	205,785
Net Assets - Beginning					876,458	4,051,736	4,928,194
Net Assets - Ending					\$ 938,328	\$ 4,195,651	\$ 5,133,979

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Balance Sheet June 30, 2006

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Roads & Right of Ways Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 62,461	\$ 7,118	\$ 16,326	\$ 598	\$ 572	\$ 87,075
Accounts Receivable	13,481	3,594	1,442	-	-	18,517
Due from Other Funds	<u>58,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,531</u>
 Total Assets	 <u><u>\$ 134,473</u></u>	 <u><u>\$ 10,712</u></u>	 <u><u>\$ 17,768</u></u>	 <u><u>\$ 598</u></u>	 <u><u>\$ 572</u></u>	 <u><u>\$ 164,123</u></u>
 LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Wages and Payroll Taxes	6,416	-	-	-	-	6,416
Due to Other Funds	20,293	-	49,000	8,000	-	77,293
Advances from Other Funds	<u>89,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,707</u>
 Total Liabilities	 116,416	 -	 49,000	 8,000	 -	 173,416
 FUND BALANCES						
Unrestricted	18,057	10,712	(31,232)	(7,402)	572	(9,293)
Restricted	-	-	-	-	-	-
 Total Fund Balance	 18,057	 10,712	 (31,232)	 (7,402)	 572	 (9,293)
 Total Liabilities and Fund Balance	 \$ 134,473	 \$ 10,712	 \$ 17,768	 \$ 598	 \$ 572	 \$ 164,123

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended June 30, 2006

Total Governmental Fund Balances	\$	(9,293)
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Assets	1,293,512	
Governmental Accumulated Depreciation	<u>(240,333)</u>	1,053,179

Accrued absences (sick and vacation pay) are recognized in the fund statements when they mature (when they are due); however these amounts are recognized when they are earned in the statement of net assets. (14,249)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	(204,010)	
Bond Issuance Costs - Net of Amortization	2,701	
Internal Balances	<u>110,000</u>	(91,309)

Total Net Assets - Governmental Activities:	<u>\$</u>	<u>938,328</u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance June 30, 2006

	General Fund	Major Streets Fund	Local Streets Fund	Roads & Right of Ways Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 181,800	\$ -	\$ -	\$ 49,330	\$ 16,307	\$ 247,437
Rents	38,743	-	-	-	-	38,743
State Shared Revenue	103,013	44,286	18,286	-	-	165,585
Charges for Services	16,050	-	-	-	-	16,050
Interest	4,015	59	67	37	14	4,192
Miscellaneous	37,396	-	-	-	-	37,396
Total Revenues	381,017	44,345	18,353	49,367	16,321	509,403
Expenditures						
General Government	126,993	-	-	-	-	126,993
Public Safety	89,720	-	-	-	19,048	108,768
Public Works	66,673	17,377	34,215	23,214	-	141,479
Recreation and Culture	3,925	-	-	-	-	3,925
Other Functions	20,527	-	-	-	-	20,527
Debt Service	-	-	-	-	23,366	23,366
Capital Outlay	292,447	15,000	53,277	66,660	-	427,384
Total Expenditures	600,285	32,377	87,492	89,874	42,414	852,442
Excess Revenue Over(Under) Expenditures	(219,268)	11,968	(69,139)	(40,507)	(26,093)	(343,039)
Other Financing Sources (Uses)						
Sale of Capital Assets	244	-	-	-	-	244
Transfers In	14,000	-	-	-	25,400	39,400
Transfers Out	(2,000)	(23,400)	-	-	-	(25,400)
Total Other Financing Sources (Uses)	12,244	(23,400)	-	-	25,400	14,244
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(207,024)	(11,432)	(69,139)	(40,507)	(693)	(328,795)
Fund Balance - Beginning	225,081	22,144	37,907	33,105	1,265	319,502
Fund Balance - Ending	\$ 18,057	\$ 10,712	\$ (31,232)	\$ (7,402)	\$ 572	\$ (9,293)

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (328,795)
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	416,988	
Depreciation expense reported in the statement of activities	<u>(37,648)</u>	379,340

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(6,479)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.	18,404
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Bond issuance costs are amortized over the life of the long-term debt. The current amount deducted in the government-wide statement is:	<u>(600)</u>
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Changes in Net Assets - Governmental Activities	<u>\$ 61,870</u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Net Assets June 30, 2006

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 88,159	\$ 122,873	\$ 211,032
Accounts Receivable	42,822	37,838	80,660
Due From Other Funds	20,293	-	20,293
Total Current Assets	151,274	160,711	311,985
Noncurrent Assets			
Restricted Cash	77,447	44,668	122,115
Advances to Other Funds	89,707	-	89,707
Net Capital Assets	2,695,205	1,895,907	4,591,112
Total Noncurrent Assets	2,862,359	1,940,575	4,802,934
Total Assets	3,013,633	2,101,286	5,114,919
LIABILITIES			
Current Liabilities			
Accounts Payable	13,266	-	13,266
Accrued Wages and Payroll Taxes	6,501	6,501	13,002
Current Long Term Debt	9,000	13,000	22,000
Total Current Liabilities	28,767	19,501	48,268
Noncurrent Liabilities			
Long Term Bonds	509,000	362,000	871,000
Total Liabilities	537,767	381,501	919,268
NET ASSEST			
Invested in Capital Assets			
-Net of Debt	2,177,205	1,520,907	3,698,112
Restricted Assets	77,447	44,668	122,115
Unrestricted	221,214	154,210	375,424
Total Net Assets	<u>\$ 2,475,866</u>	<u>\$ 1,719,785</u>	<u>\$ 4,195,651</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets June 30, 2006

	Water Fund	Sewer Fund	Total
Operating Revenues			
Fees	\$ 169,410	\$ 152,275	\$ 321,685
State Grants	82,539	86,211	168,750
Miscellaneous	5,743	-	5,743
Total Operating Revenues	257,692	238,486	496,178
Operating Expenses			
Payroll Expenses	49,316	49,316	98,632
Supplies	9,077	16,198	25,275
Professional & Contracted Services	22,841	16,574	39,415
Utilities and Telephone	11,097	18,318	29,415
Property and Workers Comp Insurance	8,440	9,349	17,789
Equipment Rental	9,680	2,434	12,114
Other Operating Expenses	2,916	775	3,691
Depreciation	63,645	49,545	113,190
Total Operating Expenses	177,012	162,509	339,521
Operating Income	80,680	75,977	156,657
Non Operating Revenues			
Interest Income	6,447	7,530	13,977
Property Tax/User Fees	-	32,631	32,631
Interest Expense	(26,300)	(19,050)	(45,350)
Transfer Out	(7,000)	(7,000)	(14,000)
Total Non Operating Revenue (Expenses)	(26,853)	14,111	(12,742)
Income	53,827	90,088	143,915
Total Net Assets-Beginning	2,422,039	1,629,697	4,051,736
Total Net Assets - Ending	<u>\$ 2,475,866</u>	<u>\$ 1,719,785</u>	<u>\$ 4,195,651</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statements of Cash Flows June 30, 2006

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 164,340	\$ 148,982	\$ 313,322
Receipts from Other Sources	88,282	86,211	174,493
Payments for Employees	(48,364)	(48,364)	(96,728)
Payments to Suppliers	(51,227)	(64,340)	(115,567)
Net Cash Provided (Used) by Operating Activities	153,031	122,489	275,520
Cash Flows From Noncapital Financing Activities			
Receipts from Property Taxes	-	32,631	32,631
Due From Other Funds	(20,293)	-	(20,293)
Advances to Other Funds	(89,707)	-	(89,707)
Transfers to Other Funds	(7,000)	(7,000)	(14,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(117,000)	25,631	(91,369)
Cash Flows From Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(34,300)	(31,050)	(65,350)
Change in Restricted Cash	173,762	(1,619)	172,143
Acquisitions of Capital Assets	(171,026)	(152,320)	(323,346)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(31,564)	(184,989)	(216,553)
Cash Flows From Investing Activities			
Interest Income	6,447	7,530	13,977
Net Increase (Decrease) in Cash	10,914	(29,339)	(18,425)
Balance - Beginning of Year	77,245	152,212	229,457
Balance - End of Year	\$ 88,159	\$ 122,873	\$ 211,032

The Notes to the Financial Statements are an integral part of this statement.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 80,680	\$ 75,977	\$ 156,657
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	63,645	49,545	113,190
Change in Assets and Liabilities:			
Accounts Receivable	(5,071)	(3,292)	(8,363)
Accounts Payable	12,825	(693)	12,132
Accrued Expenses	<u>952</u>	<u>952</u>	<u>1,904</u>
Net Cash Provided by Operating Activities	<u>\$ 153,031</u>	<u>\$ 122,489</u>	<u>\$ 275,520</u>

Supplemental Information

Cash paid for interest in the Water and Sewer Funds for the year ended June 30, 2006 was \$26,300 and \$19,050 respectively.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Fiduciary Fund Statement of Net Assets June 30, 2006

	Trust and Agency Fund
	<u> </u>
ASSETS	
Cash	<u><u> \$ 1,530 </u></u>
 LIABILITIES	
Due to Other Units	<u> \$ 1,530 </u>
 Total Liabilities	<u><u> \$ 1,530 </u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Notes to the Financial Statements For the Year Ended June 30, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grant conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the City of Grant.

A. Reporting Entity

The City of Grant is governed by an elected seven-member commission (Board).

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2006, this amount was \$18,517.

2. Property Taxes Receivable

The City property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the City as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$25,810 were received in June 2006, and thus no receivable was recorded.

The 2005 taxable valuation of the City totaled \$16,416,595 on which ad valorem taxes levied consisted of 10.5262 mills for general operating, .9471 mills for fire operations and equipment, 2.0 mills for sewer bond debt, and 3.0 mills for roads. These taxes raised \$181,800 for operating, \$16,307 for fire operating and equipment, \$32,631 for sewer bond debt, and \$49,330 for roads. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenues.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for state shared revenue and other revenue sources used to construct and improve the major streets throughout the City.

The Local Streets Fund accounts for the state shared revenue used to construct and improve road throughout the City.

The Roads and Right of Ways Fund accounts for property taxes levied to build, maintain and improve the City's infrastructure.

The government reports the following major proprietary funds:

The Water and Sewer Funds account for the equipment, debt and operating activities of the water and sewer systems respectively.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenues. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, CD's and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. Delinquent taxes are typically received by the end of the fiscal year.

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets -The general obligation bonds in the Sewer Fund and Major Streets Fund requires amounts to be set aside for debt service of interest and principal.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure assets costs incurred prior to June 30, 2004 are not included in the financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Buildings and Improvements	25 to 40 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Roads	20 to 30 years
Other Infrastructure	30 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These benefits are considered current liabilities. A liability for one half of unused sick pay and all vacation pay is recorded in the government-wide and proprietary fund financial statements. Compensated absences are not accrued for modified accrual statements.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City has no restricted fund balance as of June 30, 2006.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 30th, the City Commission reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the City Offices to obtain taxpayer comments.

Prior to June 30th, the budget is legally adopted.

The budgets shown in these financial statements are as last amended through June 30, 2006.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditure for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the activity level for all governmental funds. The City does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were materially in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end the City's deposits and investments were reported in basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government
Cash and Equivalents	\$ 87,075	\$ 211,032	\$ 1,531	\$ 299,638
Restricted Assets	-	122,115	-	122,115
Total	<u>\$ 87,075</u>	<u>\$ 333,147</u>	<u>\$ 1,531</u>	<u>\$ 421,753</u>

The bank balance of the primary government's deposits is \$444,492, of which \$399,298 is covered by federal depository insurance. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the City; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Depositories actively used by the City during the year are detailed as follows:

1. Valley Ridge Bank
2. Fifth Third Bank
3. Independent Bank of West Michigan
4. Choice One Bank

Notes to the Financial Statements (continued)

NOTE D RECEIVABLES

Receivables as of year-end for the City's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Water & Sewer Fund	Non- Major Funds	Total
State Shared Revenue	\$ 13,481	\$ 3,594	\$ 1,442	\$ -	\$ -	\$ 18,517
Charges for Services	-	-	-	80,660	-	80,660
Total Receivables	<u>\$ 13,481</u>	<u>\$ 3,594</u>	<u>\$ 1,442</u>	<u>\$ 80,660</u>	<u>\$ -</u>	<u>\$ 99,177</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City did not incur deferred revenue.

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 12,221	\$ 3,200	\$ -	\$ 15,421
Capital Assets Being Depreciated				
Buildings	24,040	246,874	-	270,914
Improvements Other than Buildings	98,000	-	-	98,000
Machinery and Equipment	55,515	22,217	4,000	73,732
Vehicles	113,900	20,000	-	133,900
Infrastructure	<u>576,847</u>	<u>124,698</u>	<u>-</u>	<u>701,545</u>
Subtotal	868,302	413,789	4,000	1,278,091

Notes to the Financial Statements (continued)

Less Accumulated Depreciation for				
Buildings	14,900	300	-	15,200
Improvements Other Than Buildings	11,760	3,920	-	15,680
Machinery and Equipment	49,291	1,085	4,000	46,376
Vehicles	104,336	9,514		113,850
Infrastructure	26,398	22,829	-	49,227
	<u>206,685</u>	<u>37,648</u>	<u>4,000</u>	<u>240,333</u>
Subtotal				
Net Capital Assets Being Depreciated	<u>661,617</u>	<u>376,141</u>	<u>-</u>	<u>1,037,758</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 673,838</u>	<u>\$ 379,341</u>	<u>\$ -</u>	<u>\$ 1,053,179</u>
	Beginning			Ending
Business-Type Activities	Balance	Increases	Decreases	Balance
Capital Assets not being depreciated				
Land	\$ 50,442	\$ 3,200	\$ -	\$ 53,642
Capital Assets Being Depreciated				
Buildings	91,904	-	3,200	88,704
Machinery and Equipment	31,010	-	-	31,010
Maining and Pumping Equipment	5,497,835	323,346	-	5,821,181
	<u>5,620,749</u>	<u>323,346</u>	<u>3,200</u>	<u>5,940,895</u>
Subtotal				
Less Accumulated Depreciation for				
Buildings	88,704	-	-	88,704
Machinery and Equipment	31,010	-	-	31,010
Maining and Pumping Equipment	1,170,521	113,190	-	1,283,711
	<u>1,290,235</u>	<u>113,190</u>	<u>-</u>	<u>1,403,425</u>
Subtotal				
Net Capital Assets Being Depreciated	<u>4,330,514</u>	<u>210,156</u>	<u>3,200</u>	<u>4,537,470</u>
Business-Type Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 4,380,956</u>	<u>\$ 213,356</u>	<u>\$ 3,200</u>	<u>\$ 4,591,112</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>37,648</u>
Total Governmental Activities	<u>\$ 37,648</u>

Notes to the Financial Statements (continued)

Business-Type Activities

Water	\$ 63,645
Sewer	49,545
Total Business-Type Activities	<u>\$ 113,190</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund Due From/Advances To		Payable Fund (Due To)/(Advances From)	
General Fund	\$ 1,531	Trust & Agency Fund	\$ (1,531)
General Fund	49,000	Local Streets Fund	(49,000)
General Fund	8,000	Roads & Right of Ways	(8,000)
Water Fund	110,000	General Fund	(110,000)
Transfers In		(Transfers Out)	
General Fund	\$ 7,000	Water Fund	\$ (7,000)
General Fund	7,000	Sewer Fund	(7,000)
Fire Fund	2,000	General Fund	(2,000)
Transportation Bond Fund	23,400	Major Streets Fund	(23,400)

NOTE G LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balances	Additions (Reductions)	Ending Balances	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2003 MI Transportation Bond	4.60%	12/1/2010	\$ 112,414	\$ (18,404)	\$ 94,010	\$ 19,261
			<u>\$ 112,414</u>	<u>\$ (18,404)</u>	<u>\$ 94,010</u>	<u>\$ 19,261</u>
Business-Type Activities						
General Obligation Bonds						
1992 Sewer Line Bonds	5.00%	10/1/2023	\$ 387,000	\$ (12,000)	\$ 375,000	\$ 13,000
Revenue Bonds						
1994 Water Revenue Bond	5.00%	12/1/2034	526,000	(8,000)	518,000	9,000
			<u>\$ 913,000</u>	<u>\$ (20,000)</u>	<u>\$ 893,000</u>	<u>\$ 22,000</u>

Notes to the Financial Statements (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 19,261	\$ 4,105	\$ 22,000	\$ 44,325
2008	20,157	3,209	23,000	43,200
2009	21,095	2,271	24,000	42,050
2010	22,076	1,290	25,000	41,325
2011	11,421	263	27,000	39,550
2012-2016	-	-	161,000	175,425
2017-2021	-	-	205,000	130,250
2022-2026	-	-	198,000	75,750
2027-2031	-	-	127,000	39,450
2032-2036	-	-	81,000	8,100
	<u>\$ 94,010</u>	<u>\$ 11,138</u>	<u>\$ 893,000</u>	<u>\$ 639,425</u>

For major streets construction projects, the net proceeds of the 2003 MI Transportation Bond after related fees were \$122,515. A debt service fund was created to pay principal and interest payments.

NOTE H RESTRICTED ASSETS

The balances of the restricted assets in the enterprise funds are as follows:

	Water	Sewer
Bond Debt	\$ 2,750	\$ 4,668
Bond Reserve	36,000	40,000
Improvement and	<u>38,697</u>	<u>-</u>
Total Restricted Assets	<u>\$ 77,447</u>	<u>\$ 44,668</u>

NOTE I RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J ENDOWMENT FUND

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2006, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$41,439. In February 2006 the City received \$10,000 from this endowment fund to help with the construction costs for the new city offices.

NOTE K DEFERRED COMPENSATION PLAN

The City has a deferred compensation plan in accordance with the Internal Revenue Code Section 457. The plan is administered by Security Benefit Group through an administrative service agreement. Eligible employees are allowed to defer a portion of their salary until future years. In addition, the City has a policy in place to contribute 6% of each employee's gross compensation into the plan after one year of service has been completed. All amounts contributed are 100% vested immediately and therefore are the property of the employee as soon as the contributions are made. City contributions for the year ended June 30, 2006 amounted to \$9,674.

NOTE L CAFETERIA PLAN

The City administers its own cafeteria plan under Internal Revenue Code Section 125(b). Employees may elect to set aside a portion of their income for medical or dependent care purposes. In addition, the City contributes \$1,000 into the 125(b) plan for each of its full-time employees. Employees may not withdraw more than they have withheld during the plan year; also, if they do not use the full amount withhold within the plan year, the money becomes the City's funds. At June 30, 2006, the City has withheld \$401, which is expected to be disbursed by the end of the plan year.

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 107,383	\$ 225,081	\$ 225,081	\$ -
Resources (Inflows)				
Property Taxes	176,605	181,548	181,800	252
State Sources	103,950	103,725	103,013	(712)
Charges for Services	10,000	11,935	16,050	4,115
Interest	1,500	2,400	4,015	1,615
Other	79,555	75,417	76,139	722
Sale of Capital Assets	3,000	244	244	-
Transfer In	14,000	14,000	14,000	-
Amounts Available for Appropriation	495,993	614,350	620,342	5,992
Charges to Appropriations (Outflows)				
General Government	126,962	107,577	126,993	(19,416)
Public Safety	85,988	95,510	89,720	5,790
Public Works	66,575	88,987	66,673	22,314
Recreation and Culture	2,350	3,773	3,925	(152)
Other Functions	22,275	22,200	20,527	1,673
Transfers Out	-	2,000	2,000	-
Capital Outlay	171,469	292,500	292,447	53
Total Charges to Appropriation	475,619	612,547	602,285	10,262
Budgetary Fund Balance-June 30, 2006	<u>\$ 20,374</u>	<u>\$ 1,803</u>	<u>\$ 18,057</u>	<u>\$ 16,254</u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Major Streets Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 13,558	\$ 22,144	\$ 22,144	\$ -
Resources (Inflows)				
State Shared Revenue	44,150	40,620	44,286	3,666
Interest	40	57	59	2
Amounts Available for Appropriation	57,748	62,821	66,489	3,668
Charges to Appropriations (Outflows)				
Routine Maintenance	5,900	5,600	5,308	292
Traffic Maintenance	350	1,135	896	239
Winter Maintenance	9,000	10,475	10,469	6
Administration	1,000	705	704	1
Capital Outlay	15,000	15,000	15,000	-
Transfer Out	23,400	23,400	23,400	-
Total Charges to Appropriations	54,650	56,315	55,777	538
Budgetary Fund Balance-June 30, 2006	\$ 3,098	\$ 6,506	\$ 10,712	\$ 4,206

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Local Streets Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 40,602	\$ 37,907	\$ 37,907	\$ -
Resources (Inflows)				
State Shared Revenue	17,667	16,253	18,286	2,033
Interest	200	65	67	2
Transfer In	-	5,963	-	(5,963)
Amounts Available for Appropriation	58,469	60,188	56,260	(3,928)
Charges to Appropriations				
Routine Maintenance	6,700	6,300	5,846	454
Traffic Maintenance	400	400	-	400
Winter Maintenance	3,000	3,023	3,020	3
Administration	1,000	710	710	-
Contracted Services	35,076	40,843	24,639	16,204
Capital Outlay	-	53,277	53,277	-
Total Charges to Appropriations	46,176	104,553	87,492	17,061
Budgetary Fund Balance-June 30, 2006	<u>\$ 12,293</u>	<u>\$ (44,365)</u>	<u>\$ (31,232)</u>	<u>\$ 13,133</u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Roads & Right of Ways Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 50	\$ 33,105	\$ 33,105	\$ -
Resources (Inflows)				
Property Taxes	49,000	49,325	49,330	5
Interest	-	17	37	20
Amounts Available for Appropriation	49,050	82,447	82,472	25
Charges to Appropriations				
Contracted Services	15,390	23,215	23,214	1
Capital Outlay	66,660	66,660	66,660	-
Total Charges to Appropriations	82,050	89,875	89,874	1
Budgetary Fund Balance-June 30, 2006	<u>\$ (33,000)</u>	<u>\$ (7,428)</u>	<u>\$ (7,402)</u>	<u>\$ 26</u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Water Fund For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance to</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 288,922	\$ 2,422,039	\$ 2,422,039	\$ -
Resources (Inflows)				
Charges for Services	169,120	169,120	169,410	290
State Grants	-	-	82,539	82,539
Miscellaneous	5,200	8,075	5,743	(2,332)
Interest	<u>3,350</u>	<u>2,355</u>	<u>6,447</u>	<u>4,092</u>
Amounts Available for Appropriation	466,592	2,601,589	2,686,178	84,589
Charges to Appropriations				
Operating Expenses	99,120	273,160	113,367	159,793
Depreciation	61,935	61,935	63,645	(1,710)
Interest Expense	27,300	27,300	26,300	1,000
Transfer Out	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Charges to Appropriations	<u>195,355</u>	<u>369,395</u>	<u>210,312</u>	<u>159,083</u>
Budgetary Fund Balance-June 30, 2006	<u><u>\$ 271,237</u></u>	<u><u>\$ 2,232,194</u></u>	<u><u>\$ 2,475,866</u></u>	<u><u>\$ 243,672</u></u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Sewer Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 1,633,922	\$ 1,629,697	\$ 1,629,697	\$ -
Resources (Inflows)				
Charges for Services	151,075	149,850	152,275	2,425
State Grants	-	-	86,211	86,211
Property Taxes	31,200	32,000	32,631	631
Miscellaneous	225	150	-	(150)
Interest	675	2,188	7,530	5,342
Amounts Available for Appropriation	1,817,097	1,813,885	1,908,344	94,459
Charges to Appropriations				
Operating Expenses	113,970	266,532	112,964	153,568
Depreciation	48,000	48,000	49,545	(1,545)
Interest Expense	1,950	19,050	19,050	-
Transfer Out	7,000	7,000	7,000	-
Total Charges to Appropriations	170,920	340,582	188,559	152,023
Budgetary Fund Balance-June 30, 2006	<u>\$ 1,646,177</u>	<u>\$ 1,473,303</u>	<u>\$ 1,719,785</u>	<u>\$ 246,482</u>

CITY OF GRANT

Combining Balance Sheet Non-Major Governmental Fund June 30, 2006

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Fire Fund</u>	<u>Sidewalk Fund</u>	<u>Transportation Bond Fund</u>	
ASSETS				
Cash and Investments	<u>\$ 317</u>	<u>\$ 180</u>	<u>\$ 75</u>	<u>\$ 572</u>
Total Assets	<u><u>\$ 317</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 75</u></u>	<u><u>\$ 572</u></u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	-	-	-	-
Fund Equity				
Fund Balances - Unreserved	<u>317</u>	<u>180</u>	<u>75</u>	<u>572</u>
Total Liabilities and Fund Equity	<u><u>\$ 317</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 75</u></u>	<u><u>\$ 572</u></u>

CITY OF GRANT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Year Ended June 30, 2006

	Special Revenue Funds		Debt Service Fund	Total Non-Major Governmental Funds
	Fire Fund	Sidewalk Fund	Transportation Bond Fund	
Revenues				
Taxes	\$ 16,307	\$ -	\$ -	\$ 16,307
Interest	7	4	3	14
Total Revenues	16,314	4	3	16,321
Expenditures				
Public Safety	19,048	-	-	19,048
Debt Service	-	-	23,366	23,366
Total Expenditures	19,048	-	23,366	42,414
Excess Revenue Over (Under) Expenditures	(2,734)	4	(23,363)	(26,093)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	2,000	-	23,400	25,400
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(734)	4	37	(693)
Fund Balance - July 1, 2005	1,051	176	38	1,265
Fund Balance - June 30, 2006	\$ 317	\$ 180	\$ 75	\$ 572

CITY OF GRANT

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes			
Current	\$ 172,200	\$ 172,484	\$ 284
Trailer	248	186	(62)
Property Tax Administration Fee	<u>9,100</u>	<u>9,130</u>	<u>30</u>
	181,548	181,800	252
State Sources			
State Shared Revenue	103,500	102,788	(712)
Business Licenses and Permits	<u>225</u>	<u>225</u>	<u>-</u>
	103,725	103,013	(712)
Charges for Services			
Fees and Penalties	1,500	1,338	(162)
Cemetery Lot Sales	120	120	-
Monuments and Foundation Sales	315	315	-
Contracted Services	<u>10,000</u>	<u>14,277</u>	<u>4,277</u>
	11,935	16,050	4,115
Grants	14,997	14,997	-
Fines and Forfeits	5,300	6,512	1,212
Interest	2,400	4,015	1,615
Rent (Community Building and Equipment)	36,680	38,743	2,063
Refunds and Rebates	1,150	1,200	50
Miscellaneous	5,215	4,173	(1,042)
Water Tower Lease	8,225	8,225	-
Private Donations	700	700	-
Cable TV Franchise	<u>3,150</u>	<u>1,589</u>	<u>(1,561)</u>
Total Revenues	\$ 375,025	\$ 381,017	\$ 5,992

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Expenditures

General Government

City Commission and Mayor

Salaries and Wages	\$	6,000	
Social Security Tax		459	
Office and Operating Supplies		25	
Professional Services		698	
Printing and Publishing		414	
Memberships and Dues		1,087	
Miscellaneous		<u>1,156</u>	

\$	10,530	9,839	\$	691
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City Manager

Salaries and Wages	34,393	
Social Security Tax	2,631	
Fringes	1,980	
Office and Operating Supplies	541	
Professional Services	500	
Telephone	627	
Transportation	723	
Education and Training	571	
Memberships and Dues	75	
Miscellaneous	<u>626</u>	

41,082	42,667	(1,585)
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Elections

Salaries and Wages	1,151	
Social Security Tax	88	
Office and Operating Supplies	600	
Printing and Publishing	205	
Contracted Services	725	
Transportation	15	
Miscellaneous	<u>35</u>	

\$	2,823	\$	2,819	\$	4
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Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Assessor

Office and Operating Supplies	\$	330	
Contracted Services		<u>5,903</u>	

\$	6,271	6,233	\$	38
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Clerk

Salaries and Wages	25,666
Social Security Tax	1,961
Office and Operating Supplies	797
Professional Services	500
Telephone	685
Memberships and Dues	365
Transportation	105
Education and Training	154
Printing and Publishing	200
Miscellaneous	<u>134</u>

31,125	30,567	558
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Treasurer

Salaries and Wages	15,042
Social Security Tax	1,100
Office and Operating Supplies	677
Professional Services	500
Contracted Services	1,734
Telephone	604
Transportation	161
Memberships and Dues	105
Education and Training	474
Capital Outlay	156
Miscellaneous	<u>17</u>

\$	20,890	20,570	\$	320
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Township Hall and Grounds

Salaries and Wages	224
Social Security Tax	17
Operating and Maintenance Supplies	540
Public Utilities	7,611
Repairs and Maintenance	\$ 1,060

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Refunds		\$	794	
Contracted Services			224	
Capital Outlay			<u>268,993</u>	
	\$	283,364	279,463	\$ 3,901
Board of Review				
Salaries and Wages			228	
Social Security Tax			17	
Printing and Publishing			<u>210</u>	
		456	455	1
Cemetery				
Salaries and Wages			2,870	
Social Security Tax			220	
Operating and Maintenance Supplies			218	
Contracted Services			<u>221</u>	
		<u>3,536</u>	<u>3,529</u>	<u>7</u>
Total General Government		400,077	396,142	3,935
Public Safety				
Police Department				
Salaries and Wages			62,138	
Social Security Tax			4,566	
Fringes			2,215	
Office and Operating Supplies			2,689	
Professional Services			1,578	
Contracted Services			1,500	
Education and Training			192	
Telephone			1,647	
Transportation			11,337	
Uniforms			282	
Memberships and Dues			86	
Miscellaneous			68	
Capital Outlay			<u>3,298</u>	
	\$	93,527	\$ 91,596	\$ 1,931

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Planning Commission			
Salaries and Wages		\$ 180	
Social Security Tax		<u>14</u>	
	\$ 198	194	\$ 4
Zoning Commission			
Office and Operating Supplies		39	
Printing and Publishing		84	
Enforcement		<u>1,105</u>	
	<u>1,785</u>	<u>1,228</u>	<u>557</u>
Total Public Safety	95,510	93,018	2,492
Public Works			
Department of Public Works			
Salaries and Wages		23,854	
Social Security Tax		1,793	
Fringes		1,479	
Office and Operating Supplies		3,550	
Contracted Services		5,489	
Telephone		208	
Transportation		9,505	
Utilities		4,574	
Miscellaneous		240	
Capital Outlay		<u>20,000</u>	
	73,665	70,692	2,973
Drains	672	672	-
Street Lighting	<u>14,650</u>	<u>15,309</u>	<u>(659)</u>
Total Public Works	\$ 88,987	86,673	\$ 2,314
Recreation and Culture			
Parks			
Salaries and Wages		1,718	
Social Security Tax		131	
Operating and Maintenance Supplies		\$ 746	

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Utilities		\$	90	
Water Tower Lease			1,200	
Miscellaneous			<u>40</u>	
	<u>3,773</u>		<u>3,925</u>	<u>(152)</u>
Total Recreation and Cultural	\$ 3,773		3,925	\$ (152)
Other Functions				
Health and Life Insurance			10,958	
Property and Liability Insurance			5,358	
Worker's Compensation Insurance			1,211	
Economic Development			<u>3,000</u>	
	<u>22,200</u>		<u>20,527</u>	<u>1,673</u>
Total Other Functions	<u>22,200</u>		<u>20,527</u>	<u>1,673</u>
Total Expenditures	<u>610,547</u>		<u>600,285</u>	<u>10,262</u>
Excess Revenues Over (Under) Expenditures	(235,522)		(219,268)	16,254
Other Financing Sources (Uses)				
Transfers In	14,000		14,000	-
Sale of Capital Assets	244		244	-
Transfers Out	<u>(2,000)</u>		<u>(2,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>12,244</u>		<u>12,244</u>	<u>-</u>
Excess Revenues and Sources Over (Under) Expenditures and Uses	<u>\$ (223,278)</u>		(207,024)	<u>\$ 16,254</u>
Fund Balance - July 1, 2005			<u>225,081</u>	
Fund Balance - June 30, 2006			<u>\$ 18,057</u>	

CITY OF GRANT

Water Fund Balance Sheets June 30, 2006 and 2005

	<u>6/30/2006</u>	<u>6/30/2005</u>
ASSETS		
Cash - Receiving	\$ 48,243	\$ 50,274
Cash - Operating	39,916	26,971
Accounts Receivable	42,822	37,752
Due To Other Funds	20,293	-
Advances From Other Funds	89,707	-
Property, Plant and Equipment	3,315,921	3,144,895
Less Accumulated Depreciation	(620,716)	(557,071)
Restricted Assets		
Cash - Debt Service	2,750	1,641
Cash - Reserved	36,000	36,000
Cash - Replacement/Improvement	<u>38,697</u>	<u>213,568</u>
Total Assets	3,013,633	2,954,030
LIABILITIES		
Accounts Payable	13,266	442
Accrued Wages	6,501	5,549
Current Long-Term Debt	9,000	8,000
Bond Debt	<u>509,000</u>	<u>518,000</u>
Total Liabilities	<u>537,767</u>	<u>531,991</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	2,177,205	2,061,824
Restricted	77,447	251,209
Total Net Assets	<u>\$ 2,254,652</u>	<u>\$ 2,313,033</u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes in Retained Earnings - Water Fund For the Year Ended June 30, 2006 and 2005

	June 30, 2006		June 30, 2005
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 169,120	\$ 169,410	\$ 153,774
State Grants	-	82,539	-
Hook Ups	2,250	-	325
Miscellaneous	5,825	5,743	5,090
Total Operating Revenues	177,195	257,692	159,189
Operating Expenses			
Salaries and Wages	34,650	34,782	36,103
FICA	2,655	2,604	2,654
Fringe Benefits	2,100	2,000	1,808
Health and Life Insurance	10,238	9,930	11,919
Office and Operating Supplies	9,225	9,077	9,297
Professional Services	2,500	2,500	2,524
Contracted Services	27,700	20,341	6,169
Repairs and Maintenance	500	417	326
Utilities	8,800	8,773	7,369
Telephone	2,325	2,324	1,999
Education and Training	323	323	20
Printing and Publishing	1,100	50	993
Property and Liability Insurance	6,483	6,482	7,000
Workers Comp Insurance	1,960	1,958	1,647
Equipment Rental	9,400	9,680	8,461
Membership Dues	625	625	624
Miscellaneous	1,550	1,501	386
Depreciation	61,935	63,645	61,935
Capital Outlay	151,026	-	-
Total Operating Expenses	335,095	177,012	161,234
Operating Income (Loss)	(157,900)	80,680	(2,045)
Non Operating Revenues (Expenses)			
Interest Income	2,355	6,447	1,907
Total Non Operating Revenue (Expenses)	2,355	6,447	1,907
Net Income (Loss)	<u>\$ (155,545)</u>	87,127	<u>\$ (138)</u>
Total Net Assets-Beginning		2,422,039	
Total Net Assets - Ending		<u>\$ 2,509,166</u>	

CITY OF GRANT

Sewer Fund Balance Sheets June 30, 2006 and 2005

	<u>6/30/2006</u>	<u>6/30/2005</u>
ASSETS		
Cash - Operating	\$ 122,873	\$ 152,212
Accounts Receivable	37,838	34,545
Property, Plant and Equipment	2,678,616	2,526,296
Less Accumulated Depreciation	(782,709)	(733,164)
Restricted Assets		
Cash - Debt Service	4,668	3,049
Cash - Reserved	<u>40,000</u>	<u>40,000</u>
Total Assets	2,101,286	2,022,938
LIABILITIES		
Accounts Payable	-	692
Accrued Wages	6,501	5,549
Current Long-Term Debt	13,000	12,000
Bond Debt	<u>362,000</u>	<u>375,000</u>
Total Liabilities	<u>381,501</u>	<u>393,241</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	1,520,907	1,406,132
Restricted	44,668	43,049
Unrestricted	<u>154,210</u>	<u>180,516</u>
Total Net Assets	<u>\$ 1,719,785</u>	<u>\$ 1,629,697</u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes in Retained Earnings - Sewer Fund For the Year Ended June 30, 2006 and 2005

	June 30, 2006		June 30, 2005
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 149,850	\$ 152,275	\$ 141,221
State Grants	-	86,211	-
Miscellaneous	150	-	1,210
Total Operating Revenues	150,000	238,486	142,431
Operating Expenses			
Salaries and Wages	34,650	34,782	36,103
FICA	2,655	2,604	2,654
Fringe Benefits	2,100	2,000	1,808
Health and Life Insurance	11,530	9,930	11,919
Office and Operating Supplies	17,050	16,198	14,129
Professional Services	3,000	2,612	2,702
Contracted Services	33,970	13,962	17,866
Repairs and Maintenance	-	-	294
Utilities	16,150	17,468	15,659
Telephone	875	850	734
Education and Training	676	675	20
Property and Liability Insurance	7,391	7,391	8,000
Workers Comp Insurance	1,960	1,958	1,647
Equipment Rental	2,000	2,434	3,456
Uniforms	-	-	100
Miscellaneous	200	100	384
Depreciation	48,000	49,545	47,842
Capital Outlay	132,325	-	-
Total Operating Expenses	314,532	162,509	165,317
Operating Income (Loss)	(164,532)	75,977	(22,886)
Non Operating Revenues (Expenses)			
Interest Income	2,188	7,530	1,052
Property Taxes/User Fees (For Debt Service)	32,000	32,631	29,080
Interest Expense	(19,050)	(19,050)	(19,650)
Total Non Operating Revenue (Expenses)	15,138	21,111	10,482
Net Income (Loss)	<u>\$ (149,394)</u>	97,088	<u>\$ (12,404)</u>
Total Net Assets-Beginning		<u>1,629,697</u>	
Total Net Assets - Ending		<u>\$ 1,726,785</u>	



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Report on Internal Control and Compliance Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

City Commission
City of Grant
Newaygo County
Grant, Michigan 49327

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2006, and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Grant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Commission, management, other within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
July 27, 2006

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August 16, 2006

City Commission
City of Grant
Grant, Michigan 49327

Dear Council Members:

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2006 and issued our report thereon dated July 27, 2006. As part of our audit, we studied and evaluated the City's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations.

Books and Records

The clerk and treasurer did a great job again this year maintaining a complete set of books and records. It is difficult to control multiple funds using one cash account but they do a great job.

Last year we recommended the clerk and treasurer spend some time and money and use the QuickBooks system exclusively. This recommendation was to help eliminate some of the manual postings by the clerk and treasurer which would hopefully free up some of their time; however, there are some pitfalls using the QuickBooks program as it is not a fund based program. Also, the clerk and treasurer are very comfortable with the current system; therefore, we recommend the clerk and treasurer continue with the current system and review a computer based accounting system in the future.

Water and Sewer Billings

The water and sewer billings continue to be recorded on the cash basis, while generally accepted accounting principles requires these billings to be reported on the accrual basis. Recording the billings on the accrual basis would allow the clerk and treasurer to reconcile amounts recorded in the accounting records to reports from the water and sewer billing system. This provides a check and balance system to help insure the water and sewer billings are properly accounted for.

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August 16, 2006

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Fund Deficits

As of June 30, 2006 two funds, local streets and roads and right of ways, contain negative fund balances. The reason for the deficit was the increase in expenditures for road projects. These funds did not have enough cash to cover the projects so they borrowed from the general fund. After discussing this issue with the city manager, the City will collect enough revenue in the 2006-2007 fiscal year to eliminate the fund balance deficit in both funds. According to PA 140 of 1971, the Glenn Steil State Revenue Sharing Act as amended and PA 34 of 2001, Revised Municipal Finance Act, as amended requires the City to complete a corrective financial plan. We recommend the City complete such plan and remit to the Michigan Department of Treasury.

Operating Statistics

In the past the financial position of the City has remained stable; however, the 2005-2006 fiscal year saw many changes. Overall the total governmental funds fund balance is a negative \$9,293. What does this mean? The governmental funds do not have enough resources to pay for the liabilities.

The general fund fund balance is roughly 6% of general fund expenditures (excluding capital outlay). This is an operating cushion of 3 weeks. Two years ago the operating cushion was 6 months (excluding income from the sale of the old library building).

The reason for such a decrease was in capital expenditures. The governmental activities capitalized \$413,789 of capital outlay expenditures in the current year. The proprietary funds added an additional \$323,346 in maining and pumping equipment. That is a total of \$737,135 of capital expenditures in 2005-2006.

Attached is additional information, including graphs over the past seven years. Following are some items we would like to bring to your attention:

- General fund property taxes continue to rise while state shared revenue has been on the decline.
- Total governmental funds cash decreased \$230,808 from the previous year.
- Both the water and sewer funds reported operating income and net income this year.

We appreciate the courtesy extended to us during the course of the audit and look forward to working with the City in the future. If you have any questions we will be happy to assist the City in any way.

Respectfully submitted,

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants